HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fourth Quarter 2011

Housing Market Forecast

Figure 1

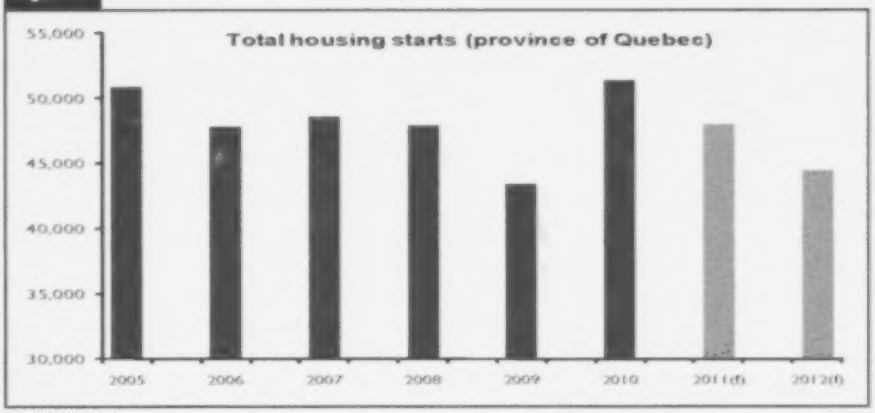

Figure 2

[1] The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document reflect information available as of October 5, 2011.

Overview[1]

Recent economic growth, favourable borrowing conditions and sustained positive net migration will again support new home construction in 2011. As the global and national economic recovery slows, less vigorous household spending and private investment are expected in the province. GDP will grow by 2.3 per cent in 2011 and 2 per cent in 2012.

Demographic factors will continue to sustain the province's housing markets in the coming years. Strong net immigration to the province will continue to have a positive impact on the rental and resale markets. In addition, population ageing will likely prompt older households to re-enter the market in response to their housing needs.

This environment, combined with an easing resale market, will lessen the demand for new homes. Accordingly, 48,000 housing starts are expected this year, followed by 44,500 in 2012.

Mortgage Rates

Recent announcements by the Bank of Canada have indicated that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for some time to come. The Bank has been noting that in light of slowing global economic momentum and heightened financial uncertainty, the need to withdraw monetary policy stimulus has diminished.

Mortgage rates		
1 Year	Q3 2011	3.50
	Change from Q3 2010	0.13
	2011 (F)	3.60
	2012 (F)	3.56
5 Year	Q3 2011	5.39
	Change from Q3 2010	-0.13
	2011 (F)	5.42
	2012 (F)	5.43

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q3 2011 data

The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat until late 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.4 to 3.8 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.7 per cent.

In Detail

Single Starts:

For most of 2010, new construction of single detached homes benefited from the improved economic and financial environment, as well as from the reduced supply of such homes on the resale market. However, the rising popularity of multi-family housing and densification trends will cool this market segment. As a result, close to 17,000 single detached homes will be started in 2011, with a 3 per cent increase expected in 2012 to 17,400 units.

Multiple Starts:

Following a strong rebound in 2010, starts of multi-family dwellings will settle back to more sustainable levels over the course of the next two years. Nonetheless, multiple starts will reach 31,100 units in 2011. Given the current supply of condominium apartments on the market, starts of multi-family homes will slow to the 27,100 unit level in 2012.

Resales:

Given the weaker start during the first half of this year, MLS® resales will record a lower level of activity than in the previous year. However, resale activity will pick up during the last part of 2011 as the housing stock continues to grow. As a result, close to 77,000 MLS® sales are forecast for 2011 and over 79,000 in 2012.

Prices:

Relatively stable demand for resale homes, combined with rising supply, will take some pressure off prices over the course of the next year. With a return to more balanced conditions, price growth in the resale market will moderate over the course of 2011 and in 2012. The average MLS® price is expected to be $251,200 in 2011 and $257,400 in 2012.

A Broader Vision

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Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price ($)
Gatineau	Q3 2011	2.0	6.3	873.56	Q3 2011	469	198	271	951	235,995
	Q3 2010	-0.5	7.0	847.35	Q3 2010	810	275	535	982	221,225
	Change[1]	2.5	-0.7	3.1%	% Change	-42.1	-28.0	-49.3	-3.2	6.7
Montréal	Q3 2011	0.3	8.0	775.61	Q3 2011	5,894	1,119	4,775	7,796	317,958
	Q3 2010	2.7	8.6	764.25	Q3 2010	5,179	1,248	3,931	7,522	303,272
	Change[1]	-2.4	-0.6	1.5%	% Change	13.8	-10.3	21.5	3.6	4.8
Québec	Q3 2011	2.9	4.4	771.71	Q3 2011	1,179	334	845	1,505	242,419
	Q3 2010	9.1	4.6	777.00	Q3 2010	1,688	422	1,266	1,411	241,274
	Change[1]	-6.2	-0.2	-0.7%	% Change	-30.2	-20.9	-33.3	6.7	0.5
Saguenay	Q3 2011	-4.2	6.6	735.92	Q3 2011	212	121	91	316	177,837
	Q3 2010	-2.5	8.5	730.33	Q3 2010	273	117	156	319	167,910
	Change[1]	-1.6	-1.9	0.8%	% Change	-22.3	3.4	-41.7	-0.9	5.9
Sherbrooke	Q3 2011	4.2	7.1	732.96	Q3 2011	358	160	198	344	216,988
	Q3 2010	-5.2	7.9	707.07	Q3 2010	408	151	257	348	207,415
	Change[1]	9.3	-0.8	3.7%	% Change	-12.3	6.0	-23.0	-1.1	4.6
Trois Rivières	Q3 2011	2.4	8.7	736.89	Q3 2011	288	93	195	209	154,373
	Q3 2010	-2.0	9.3	724.15	Q3 2010	409	81	328	183	156,996
	Change[1]	4.4	-0.6	1.8%	% Change	-29.6	14.8	-40.5	14.2	-1.7
Quebec	September 11	0.6	7.3	760.76	Q3 2011	13,051	4,586	8,465	16,232	263,544
	September 10	2.9	7.8	747.32	Q3 2010	13,423	5,639	7,784	15,954	251,921
	Change[1]	-2.3	-0.5	1.8%	% Change	-2.8	-18.7	8.7	1.7	4.6
Canada	September 11	1.7	7.1	839.72	Q3 2011	55,615	24,803	30,812	116,664	354,637
	September 10	1.7	8.0	824.37	Q3 2010	52,671	25,929	26,742	103,252	328,925
	Change[1]	0.0	-0.9	1.9%	% Change	5.6	-4.3	15.2	13.0	7.8

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[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, QFREB by Centris®
"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the MLS(R) sales and average price for Q3, became available after the cut-off date of October 5th 2011. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook (units and percentage change)											
	2006	2007	2008	2009	2010	2011(F)	2012(F)	2011Q1	2011Q2	2011Q3 (F)	2011Q4 (F)
Housing Starts:											
Single	21,917	22,177	19,778	17,535	19,549	16,900	17,400	16,900	16,800	16,900	17,000
%	-8.4	1.2	-10.8	-11.3	11.5	-13.6	3.0	-5.1	-0.6	0.6	0.6
Multiple	25,960	26,376	28,123	25,868	31,814	31,100	27,100	30,100	32,200	33,300	29,000
%	-3.8	1.6	6.6	-8.0	23.0	-2.2	-12.9	0.0	7.0	3.4	-12.9
Total	47,877	48,553	47,901	43,403	51,363	48,000	44,500	47,000	49,000	50,200	46,000
%	-6.0	1.4	-1.3	-9.4	18.3	-6.5	-7.3	-1.9	4.3	2.4	-8.4
Existing Home Markets:											
MLS® Sales	71,619	80,647	76,753	79,108	80,031	76,900	79,300	78,816	75,116	76,000	77,500
%	1.8	12.6	-4.8	3.1	1.2	-3.9	3.1	-0.7	-4.7	1.2	2.0
MLS® Average Price	195,208	207,531	215,320	225,368	241,457	251,200	257,400	250,430	249,945	252,000	253,000
%	5.8	6.3	3.8	4.7	7.1	4.0	2.5	1.2	-0.2	0.8	0.4

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Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the MLS(R) sales and average price for Q3, became available after the cut-off date of October 5th 2011. As a result, this data was not considered for the forecast.

All data in this table, except the MLS (R) average price, is seasonally adjusted at annual rates. The MLS (R) average price data is actual.

Quebec Region - Housing Forecast Ranges

	2011			2012		
	Point Forecast	**High Forecast**	**Low Forecast**	**Point Forecast**	**High Forecast**	**Low Forecast**
Quebec						
Housing Starts	48,000	50,050	42,700	44,500	48,850	38,400
Multiple	31,100	31,950	27,250	27,100	28,350	23,100
Single	16,900	18,100	15,450	17,400	20,500	15,300
MLS® Sales	76,900	80,350	72,250	79,300	88,200	70,100
MLS® Average Price ($)	251,200	259,100	243,750	257,400	292,700	220,750
Canada						
Housing Starts	191,000	199,900	170,900	186,750	206,350	161,650
Multiple	108,800	111,900	95,600	103,000	108,200	87,800
Single	82,200	88,000	75,300	83,750	98,150	73,850
MLS® Sales	450,100	470,100	423,600	458,500	509,000	406,100
MLS® Average Price ($)	363,900	375,300	353,100	368,200	418,700	315,800

Sources : CMHC

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Quebec Region Housing Forecast - New Construction

	Housing Starts	2010	2011(F)*	% chg (2010/2011)	2012(F)*	% chg (2011/2012)	YTD 2011**	YTD 2010**	% chg (2010/2011)
Gatineau	Single-Detached	910	720	-20.9	700	-2.8	589	725	-18.8
	Multiple	1,777	1,430	-19.5	1,350	-5.6	1,126	1,404	-19.8
	Total	2,687	2,150	-20.0	2,050	-4.7	1,715	2,129	-19.4
Montréal	Single-Detached	5,789	4,700	-18.8	4,800	2.1	3,530	4,502	-21.6
	Multiple	16,212	16,700	3.0	14,600	-12.6	12,634	11,869	6.4
	Total	22,001	21,400	-2.7	19,400	-9.3	16,164	16,371	-1.3
Québec	Single-Detached	1,768	1,300	-26.5	1,200	-7.7	1,064	1,456	-26.9
	Multiple	4,884	4,100	-16.1	3,700	-9.8	3,002	3,407	-11.9
	Total	6,652	5,400	-18.8	4,900	-9.3	4,066	4,863	-16.4
Saguenay	Single-Detached	380	460	21.1	360	-21.7	385	307	25.4
	Multiple	403	490	21.6	440	-10.2	284	324	-12.3
	Total	783	950	21.3	800	-15.8	669	631	6.0
Sherbrooke	Single-Detached	570	530	-7.0	500	-5.7	416	457	-9.0
	Multiple	1,086	970	-10.7	950	-2.1	781	926	-15.7
	Total	1,656	1,500	-9.4	1,450	-3.3	1,197	1,383	-13.4
Trois Rivières	Single-Detached	345	325	-5.8	310	-4.6	231	262	-11.8
	Multiple	1,346	620	-53.9	500	-19.4	470	1,026	-54.2
	Total	1,691	945	-44.1	810	-14.3	701	1,288	-45.6

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - September

Quebec Region Housing Forecast - Resale Market

		2010	2011(F)*	% chg (2010/2011)	2012(F)*	% chg (2011/2012)	YTD 2010*	YTD 2011*	% chg (/)
Gatineau	MLS® Sales[1]	4,238	3,775	-10.9	3,725	-1.3	3,529	3,065	-13.1
	MLS® Avg. Price[1]	218,620	235,000	7.5	245,000	4.3	218,156	234,640	7.6
Montreal	MLS® Sales[1]	42,308	40,200	-5.0	41,500	3.2	33,862	31,589	-6.7
	MLS® Avg. Price[1]	297,661	313,000	5.2	322,000	2.9	295,327	312,063	5.7
Québec	MLS® Sales[1]	7,074	7,200	1.8	7,500	4.2	5,542	5,563	0.4
	MLS® Avg. Price[1]	237,294	252,000	6.2	262,000	4.0	234,503	245,300	4.6
Saguenay	MLS® Sales[1]	1,460	1,350	-7.5	1,400	3.7	1,172	1,086	-7.3
	MLS® Avg. Price[1]	168,257	180,000	7.0	190,000	5.6	167,316	177,536	6.1
Sherbrooke	MLS® Sales[1]	1,730	1,725	-0.3	1,700	-1.4	1,377	1,367	-0.7
	MLS® Avg. Price[1]	204,441	230,000	12.5	240,000	4.3	200,700	215,973	7.6
Trois Rivieres	MLS® Sales[1]	933	935	0.2	890	-4.8	739	757	2.4
	MLS® Avg. Price[1]	151,937	160,000	5.3	164,000	2.5	150,912	157,690	4.5

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Sources: CMHC, CREA, QFREB by Centris®, CMHC Forecast 2010-2011

[1] Source for the CMA's : QFREB by Centris®. YTD: January to June

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

* YTD = January - September

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2010	Oct 2011(F)	Oct 2010	Oct 2011(F)
Gatineau	2.5	2.4	711	725
Montréal	2.7	2.5	700	705
Québec	1.0	1.4	692	705
Saguenay	1.8	2.0	535	545
Sherbrooke	4.6	4.9	566	580
Trois Rivières	3.9	4.2	533	550
Canada	2.9	2.5	0	0

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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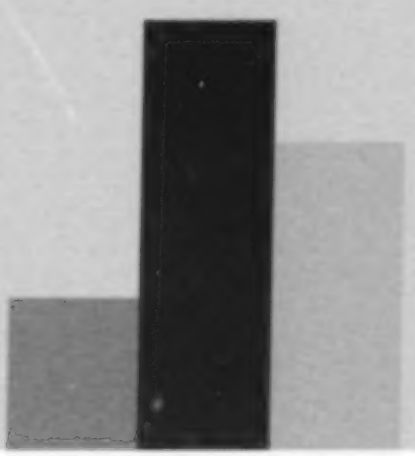

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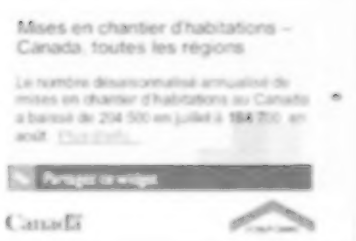

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